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S E C R E T SECTION 01 OF 03 ABU DHABI 004473

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TREASURY FOR U/S LEVEY, A/S POBRIEN, DAS DGLASER, RLOEFFLER
STATE FOR NEA/IR, NEA/ARP RTAGGART, DBAGWELL
STATE FOR S/CT, EB/ESC/TFS, INL/C/CP

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TAGS: [PREL](#) [KTFN](#) [ECON](#) [PTER](#) [IR](#) [AE](#)

SUBJECT: TREASURY U/S LEVEY VISIT - ASKING UAE TO PROTECT
FINANCIAL SYSTEM FROM RISKS OF DOING BUSINESS WITH IRAN

REF: ABU DHABI 3799

Classified By: CDA Martin Quinn, for reasons 1.4 b and d.

11. (S) Summary. On December 6, 2006 Under Secretary of Treasury for Terrorism and Financial Intelligence Stuart Levey and a USG delegation met with UAE officials to encourage support in isolating Iran from financial markets in the UAE and internationally. Levey met with Sheikh Ahmed bin Zayed Al Nahyan, Abu Dhabi ruling family member and Managing Director of the Abu Dhabi Investment Authority (ADIA), who expressed willingness to inform those who manage ADIA investments that Abu Dhabi will be hesitant to invest its assets with institutions that continue to do business with Iran. In a separate meeting, UAE Central Bank Governor Sultan bin Nasser Al Suweidi indicated a willingness to cooperate with the U.S. regarding Iran Revolutionary Guard Corps (IRGC) front companies doing business in UAE. He noted that the UAE had closed 18 Iranian front companies at USG request. Levey provided the name of an IRGC controlled company and undertook to provide the names of additional Iranian entities in the future. The Governor voiced concern that in the future the USG might negotiate with Iran and leave the UAE in a precarious position with its neighbor. When asked if the E.O. 13382 list was disseminated to UAE banks the governor replied that the Central Bank advises banks indirectly about the risks of Iranian institutions) to avoid antagonizing the Iranians. In a meeting with Minister of State for Finance Dr. Mohammed Khalfan bin Kharbash, Levey encouraged the UAE, as a significant institutional investor, to encourage leading money managers to steer clear of Iran. U/S Levey was accompanied by Ambassador; Henry Wooster (State, Deputy Director NEA/IR); Econchief; OFAC Attach Abu Dhabi; Kristen Hecht, Treasury Policy Advisor; and Matt Epstein, Treasury Financial Analyst.
End summary.

Sheikh Ahmed) ADIA

12. (S) On December 6, 2006 U/S Levey met with Sheikh Ahmed, Managing Director of ADIA and Under Secretary for the UAE Finance Ministry, to explain the USG's efforts to financially isolate Iran. He explained that the USG has already had some success with financial institutions in Europe. Sheikh Ahmed replied that ADIA did not have any investments in Iran, Syria, or Lebanon, none of which it viewed as particularly viable for investment. In fact, he noted that ADIA's investments in the Middle East were very small. Levey explained that the USG was looking for ADIA to reach out to

the money managers for its investments around the world in order to convey the message that Abu Dhabi will be hesitant to invest its assets with institutions that continue to do business with Iran on account of Iran's deceptive financial conduct. He explained that some European financial institutions had decided to stop doing business with Iran in dollars, but would continue with business in other currencies. The message the USG would like these institutions to receive from a large investor like ADIA (and the counterpart Dubai Emirate institutional investors), was that business with Iran should stop in all currencies.

13. (S) Sheikh Ahmed said that it would be "no problem" for ADIA to pass that message to institutions it invests with, not officially, but one way or another. Sheikh Ahmed stressed that "this was what partners do" adding that the UAE also had concerns about Iran and its ambitions. He added that while the UAE will be helpful they also expected that the partnership between the USG and the UAE be open and clear. (Note: ADIA is -- according to Euromoney -- the world's second largest institutional investor after the Bank of Japan. Estimates of its portfolio are in the \$500-\$600 billion range and up. Post understands that ADIA's portfolio is broken down into 45% equities, slightly over 20% in bonds, and the rest in hedge funds, real estate, private equity, and other portfolio investment vehicles. ADIA does not engage in foreign direct investment, and in almost all cases keeps its investments under reporting thresholds. End note.)

Central Bank Governor Suweidi

14. (S) During his discussion with Governor Suweidi, Levey

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followed up on the meeting with Treasury Secretary Paulson and Suweidi in September in Singapore on Iran. Levey stressed that Iran is the issue of highest concern for the USG and that while we are grappling with diplomatic options through the UN, the USG is also pursuing cooperation with allies to deny Iran access to the international financial community) particularly in light of its illicit banking practices, support for terrorism, resurgence of the Iran Revolutionary Guard Corps (IRGC) controlled companies and Iran's WMD proliferation. Levey inquired about the UAE Central Bank study of the Iranian financial sector that was mentioned after the September Joint Terrorism Financing Coordinating Committee (JTFFC) with Treasury A/S Patrick O'Brien (Ref A).

15. (S) Governor Suweidi said his most important concern was whether the USG would be negotiating with Iran, as suggested in current media reporting. Suweidi stated that "Your friends (UAE) need to know what the future holds" for U.S./Iran relations. He voiced concern that if the UAE followed the U.S. lead and took actions against Iran it would lead to problems with its neighbor. Should U.S. relations with Iran improve, he noted, the UAE would then be left in a precarious position. Whatever we do at this stage will have a lasting impact. Levey reiterated that the USG concern and desire to take firm action on Iran has been consistent from all USG officials.

16. (S) Regarding the review of Iranian financial institutions in the UAE, the governor did not report specifics but noted that the Central Bank thought the Iranian banks were careful with their transactions. He also noted that it was difficult to act against front companies without the necessary information and that when the Central Bank acted it would be discreetly. For example Governor Suweidi noted that the UAE had already closed 18 companies of concern to the U.S. by not renewing business licenses. The Governor expressed a willingness to act against other companies, though he said the UAE would need specifics from the USG: We do not have an army to research these things.

The Governor also inquired about the USG,s possible next steps and what steps the UAE could take.

¶17. (S) Levey noted that the next USG moves would probably involve increased pressure on Iranian state owned banks. In terms of the next steps that the UAE could take, Levey offered that the UAE should take a very intense look at entities listed on the E.O. 13382 WMD proliferators list, as well as companies associated with the IRGC. U/S Levey told the governor about Khatam Al-Anbiya, an IRGC-owned company that does a lot of Iranian government contracting. U/S Levey promised to provide additional information on other IRGC-controlled companies and individuals of concern. Levey also passed a paper detailing actions taken by prominent financial institutions, such as UBS and Credit Suisse, that have cut off business with Iran. Levey conveyed concern that as European banks cease or scale back from Iranian business, the UAE might see an influx of Iranian financial and commercial activity. Levey also warned Suweidi that anywhere Bank Saderat operates regulators should be wary. (Note. Bank Saderat has six major branches in the UAE, including its regional headquarters for the Gulf. End note.)

¶18. (C) When Levey asked if the Governor disseminated the lists of WMD Proliferators the USG provides, the Governor said that because it was such a public action against Iran "we can,t do it" but added that the UAE Central Bank,s examiners do look at the names when they review the banks. Governor Suweidi explained that the UAE actions against Iranian institutions needed to be discreet. He noted that they advise the banks &indirectly8 about the risks of Iranian institutions -) so as not to antagonize the Iranians. The best way to proceed is to give the Central Bank the list and they will process them. Levey passed a paper on Bank Sepah detailing USG concerns on their activities)- particularly with respect to Iran,s Aerospace Industries Organization (AIO) which has been designated under E.O. 13382. Suweidi noted that Bank Sepah had no operations in the UAE. (Note: Bank Sepah has correspondent banking relationships with Iran-based UAE branches of Bank Melli and Bank Saderat. End note.)

¶19. (S) Governor Suweidi closed the meeting by reaffirming that the key concerns on Iran were their WMD proliferation and their support for terrorism. Levey suggested adding

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"missile program" to the WMD issue. Levey encouraged the UAE in its efforts to keep their financial sector free from tainted activity -) through quiet initiatives.

Minister of State for Finance Dr. Kharbash

¶10. (C) In the meeting with MinState Finance Dr. Kharbash, Levey reiterated the concerns with Iran and noted that major investors are shying away from Iran. He encouraged the UAE to engage quietly with significant money managers that it deals with in order to urge them to steer clear of Iran on account of its deceptive financial practices. Dr. Kharbash noted that since the major investing is done in the US and in Europe it may be more beneficial to go directly to the Europeans. Levey noted that since the UAE is such a significant financial customer its voice would be very persuasive: &Your voice can add to and complement ours.8

¶11. (U) U/S Levey has reviewed this cable.
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